

SBA

U.S. Small Business
Administration

A

e,

— voiding Patent, Trademark and Copyright Problems

Thomas Field

Produced

by

Invention

Series

Helping Build America's Future

Copyright 1989, Thomm G. Field, Jr. All rights reserved. This publication is protected under copyright. No part may be reproduced, transmitted or transcribed without the permission of the author. SBA retains an irrevocable, worldwide, nonexclusive, royalty-free unlimited license to use this copyrighted material.

While we consider the contents of this publication to be of general merit, its sponsorship by the U.S. Small Business Administration does not necessarily constitute an endorsement of the views and opinions of the authors or the products and services of the companies with which they are affiliated.

All of SBA's program and services are extended to the public on a nondiscriminatory basis.

TABLE OF CONTENTS

INTRODUCTION	1
Avoiding Patent Infringement	1
A Patent Search	2
TRADEMARKS	2
COPYRIGHTS	3
PATENTS	3
TRADE SECRETS	4
THE NEED FOR EXPERIENCED COUNSEL	4
SUMMARY	5
APPENDIXES	7
A. Further Information on Intellectual Property	5
B. Information Resources	7

U.S. Small Business Administration

INTRODUCTION

Patents, copyrights and trademarks, as well as know-how or trade secrets, are often collectively referred to as "intellectual property." Many firms have such property without even being aware of it or of the need to take measures to protect it.

Many people's notions of intellectual property are unrealistic. Some believe, for example, that having a patent on a product will enable one to succeed in the marketplace. Consequently, they may spend thousands of dollars to obtain the exclusive rights to market something that no one wants or can afford to buy. Others may conclude that intellectual property protection is not worth

People who may not be interested in protecting their own rights still must take precautions to avoid infringing on the rights of others. This calls for more than the avoidance of copying. Copying is unavoidable; it is a way of life and one way in which we learn. But, one can easily infringe on the rights of others without deliberately imitating specific features of goods or services.

This publication addresses the steps newcomers to a market should take to avoid infringement and when they should take them.

PATENTS

the expense and bother.

Most people have heard variations on a remark attributed to Ralph Waldo Emerson: "If a man canmake a better mousetrap than his neighbor, though he builds his house in the woods the world will beat a path to his door." To keep the discussion concrete, let's imagine a present day inventor of a new mousetrap who not only invents a better mousetrap but is also successful in marketing it. The higher the inventor's profit margin, the more others will want to copy his invention. Let's assume that the inventor selects "Figaro" as the brand name and actively promotes the product. However, he does not legally protect his invention, but relies on the consumers' loyalty, goodwill and brand identification to ensure future sales.

Taking measures to develop loyalty and goodwill may be sufficient until a larger and better known competitor turns up. For example, what if economies of scale and lack of development costs mean that the competitor can sell the same mousetrap for 20 percent less? Goodwill may not be enough to ensure customer loyalty at a higher price. A patent would be much more helpful, because it would prevent the competitor from selling the new trap until well after the original firm had a chance to get on its feet. This situation illustrates that it is the smaller firm that often has the most to gain from protecting intellectual property.

As bad as the situation is without patent protection, it

lawsuit Imagine what would happen if it turns out that someone else actually has a current patent on one or more features of the better mousetrap. By failing to consider the intellectual property of others, the new firm would not only be forced to stop selling under the name Figaro, but might be forced to stop selling the mousetrap altogether.

A voiding Patent Infringement

Utility patents-what people usually mean when they use the term "patents"--provide 17 years of exclusive rights for inventions that deal with the way things work. Design patents afford 14 years of protection for significant improvement in the appearance of useful items, such as car bodies or furniture. Both of these patents do more than prevent copying; they forbid the making, using or selling of an invention similar to or the same as the protected invention, even though the second invention was independently created. (Plant patents, which will not be covered in this discussion, may not give the same protection.)

Copying may actually be a way to avoid infringement. The inventor of the mousetrap might have avoided potential problems by using technology that was described in a printed publication, publicly used or on sale. Products that are on sale and give no notice of patent

could be worse. Let's assume that customers are so taken by the Figaro promotion that they are willing to pay the 25 percent premium the firm charges in order to stay in business. Imagine what would happen if the company had to stop using that name or had to face an expensive

coverage are relatively free from the risk of infringement.

Any person trying to market fairly new technology that doesn't appear to be patented should keep in mind that an inventor has one year from public sale or disclosure

U.S. Small Business Administration

within which to **file a patent application**. In addition, because patents often take two or more years to obtain, there is still a chance that a patent could be issued at a later time. Although there is no liability for infringement prior to issuance of a patent, a competitor would have to cease making, using or selling the technology once the patent was issued, thus risking the loss of both start-up costs and inventory.

Of course, if our inventor was determined to make a better mousetrap, there would be no interest in copying something else in the market. Still, before spending too much time and money on research, the inventor should ensure that others do not have exclusive rights in the area being explored. The inventor certainly should not assume that, because a product is not on the market it is unpatented. As many independent inventors have learned to their chagrin, it is usually easier to patent something than to market it profitably.

A Patent Search

The inventor should hire a patent attorney or agent to

conduct an infringement search. A patent agent is a technically trained person who has passed a special examination given by the U.S. Patent and Trademark Office; a patent lawyer is one permitted to draft contracts and provide other general legal services. Patent searches can be expensive if one must consult foreign records; it is much less costly to determine whether technology is currently patented in the United States. Yet, as we will see, there is value in going somewhat beyond that point.

A search might reveal that (1) someone else had a patent that has since expired, i.e., the information patented is now in the public domain; (2) no current or expired patents cover the area of proposed research or (3) someone else has a current patent covering all or part

of the proposed design. **Let's consider these potential results in order.**

The Invention Is In the Public Domain

If the mousetrap (or an obvious variation) was disclosed in an expired patent, the inventor is free to manufacture and market it without concern for the patent laws. Also, even if the inventor didn't find exactly what he or she originally had in mind, a host of good and freely used ideas that are even better might have been discovered. These alone could be worth several times the price of the search in saving research and development time.

One or More Elements of the Proposed Mousetrap Appear To Be New

If, after a thorough search, our inventor's proposed improvements to the mousetrap seem not only to be novel but also to offer significant advantages over the prior design, the inventor may seek a patent and/or begin selling the mousetrap without further ado. If, however, the inventor begins selling without first filing a patent application, he immediately forfeits possible protection in many other countries and also forfeits any possibility of patent rights in the United States after one year.

Aspects of the Proposed Design Are Covered by a Current Patent

If an unexpired patent is found to cover any part of the proposed mousetrap design, the inventor knows that he is not free to use it without a license. Infringing on a current patent exposes one to a suit for damages as well as an injunction against future use. Even an injunction might mean substantial costs, including the loss of current inventory, and a patent covering even a small feature of the new mousetrap might give rise to the need to retool. Although deliberate infringement is more serious, ignorance of others' patents is no defense.

TRADEMARKS

symbols indicating that goods come from a particular company. They may even be sounds, three-dimensional symbols (such as the well-known McDonald's golden arches) or colors. There are also service marks, which indicate the source of services, and other kinds of marks that will not be considered here.

As with patents, one can infringe on another's marks without copying them or even being in direct competition

Trademarks (or brand names) indicate commercial owner. All that is necessary is to use the same source. Trademarks may be words, logos or other mark under circumstances in which

consumers may be confused as to the source or sponsorship of the goods or services.

A Trademark Search

A trademark search is the only way to find out whether Figaro or something confusingly similar is being used by others as a mark for a mousetrap (or perhaps such things

with their
or a similar

as rodenticides) in the proposed market area. It is also necessary to determine whether the mark has been registered in the U.S. Patent and Trademark Office, which could give the registrant rights well beyond the market areas currently occupied.

There are two reasons why a search may not be sufficient. First, in the United States, it is unnecessary for a firm to do more than use a good mark to have trademark rights in its market area. Consequently, a search may not locate all such prior users. Second, people may be able to prevent the use of a potential mark without having used it as a

mark themselves; for example, when a trademark can be associated with others in such a way that consumers might presume that some kind of relationship might exist. This is where the mark Figaro would run into trouble. As you may recall, Figaro is the name of the cat in the Disney film Pinocchio. Although the Walt Disney Company does not have a monopoly on the use of the name, it might nevertheless be able to prevent it from being used on a mousetrap. If that seems too farfetched, consider the company's concern if "Mickey" had somehow been part of the mousetrap name!

COPYRIGHTS

A copyright provides an owner with the exclusive rights to reproduce a certain work for a specified period, subject to some basic limits. The term of a copyright is the lifetime of the author plus 50 years in the case of identifiable, living authors. Copyrights arise automatically and are inexpensive to register.

Searching for a prior copyright is probably unnecessary. Copyright infringement can be avoided by establishing that a work was independently created. Therefore, records showing independent creation are helpful to avoid liability. Even with such records, establishing independent creation may be difficult if the original work was widely disseminated or otherwise available to the alleged infringer. In one such case, the court held that, although copying may have been unconscious, the original was nevertheless infringed.

One of the limits to copyright protection is that ideas (compared to expressions) and technology (computer software aside) are generally not protected. This means that our inventor is free, at least as far as copyright laws are concerned, to use any information that can be found in books on mousetrap designs and to make and sell working copies of anything shown or described. Copyright gives the owner only the right to prevent reproduction of the text or drawings themselves.

What if the inventor wants to use some of that text, for example, in an advertisement? There is a remote possibility that such use might be protected under the "fair use" defense, but it would be very unwise to proceed without getting permission from the copyright holder or seeking expert advice.

TRADE SECRETS

Trade secrets overlap the subject matter of copyrights and patents. As long as efforts have been made to preserve secrecy, a suit may be brought to redress the misappropriation (or wrongful taking) of almost any kind of information of competitive value. Misappropriation includes industrial espionage and breaches of confidential relationships (for example, by former employees), but it does not include reverse engineering. Thus, a trade secret suit will not succeed if an aspect of a product's design or construction was obtained by examining an item

purchased in the marketplace. Nor will a suit be useful against those who independently discover a secret process or recompile commercially valuable information.

The risk of being accused of misappropriating a trade secret is never very high, particularly if one seeks competent legal advice before using unlicensed information that has not been obtained through reverse engineering.

THE NEED FOR EXPERIENCED COUNSEL

Any attorney admitted to practice in any state in the country is technically qualified to register trademarks with the U.S. Patent and Trademark Office or copyrights

SUMMARY

Whether or not our mousetrap inventor takes measures to preserve the intellectual property, he or she certainly should avoid infringing on the rights of others. Although this is not difficult in the case of copyrights and trade secrets, patents and trademarks are another matter altogether.

Unquestionably, it costs precious start-up capital to have patent and trademark searches performed; however, proceeding in a new venture without doing so is equivalent to erecting a building or signing a long-term

is given to determine whether the attorney is familiar with the copyright or trademark law or registration procedures, for example. Clients are advised to seek an attorney who with the U.S. Copyright Office in Washington, D.C. Unlike the situation with patents, no special examination

lease without checking the real estate title. Searches will not make the product appeal to the public, but they will ensure enjoyment of any hard-won market success. A patent search is comparatively cheap insurance against the possible need to ret 'ool or to absorb inventory losses. Moreover, a close look before adopting a trademark is cheaper in the long run than the cost of advertising and new promotions designed to advise customers to seek the mousetrap under a new name.

APPENDIX A: FURTHER INFORMATION ON INTELLECTUAL PROPERTY

Patent and Trademark Office, Washington, DC 20231, or the United States Trademark Association, 6 E. 45th Street, New York, NY 10017. Both publish free or inexpensive booklets.

A booklet for independent inventors, *So You Have An Idea*, is available from the Innovation Clinic, 2 White Street, Concord, NH 03301. To order it send \$2.00 and a self-addressed mailing label. The Innovation Clinic also has a set of HyperCard stacks (for Macintosh computers) covering several topics of interest to inventors and small business owners. These are available for \$5.00 and a self-addressed mailing label. Write to the Copyright Office, Washington, DC 20559, indicating the subject matter in which you are particularly interested, for example, music or arts.

Patents, Trademarks and Copyrights, Lawrence E. Evans, Jr., 1986, Gunn, Lee and Jackson, Eleven Greenway Plaza, Suite 1616, Houston, TX 77046.

You may want to consult one or more of the many inventors' handbooks available at public libraries. One example is *How to Profit From Your Ideas*, Flemming Bank, 1985 (\$12.95). Bank and Associates, P.O. Box 20365, Portland, OR 97220. This is a step-by-step guide that shows how you can make money by turning your creative ideas into marketable products.

APPENDIX B: INFORMATION RESOURCES

U.S. Small Business Administration (SBA)

The SBA offers an extensive selection of information on most business management topics, from how to start a business to exporting your products.

This information is listed in *The Small Business Directory*. For a free copy write to: SBA Publications, P.O. Box 1000, Fort Worth, TX 76119.

SBA has offices throughout the country. Consult the U.S. Government section in your telephone directory for the office nearest you. SBA offers a number of programs and services, including training and educational programs, counseling services, financial programs and contract assistance. Ask about

- Service Corps of Retired Executives (SCORE), a national organization sponsored by SBA of over 13,000 volunteer business executives who provide free counseling, workshops and seminars to prospective and existing small business people.
- Small Business Development Centers (SBDCs), sponsored by the SBA in partnership with state and local governments, the educational community and the private sector. They provide assistance, counseling and training to prospective and existing business people.
- **Small Business Institutes (SBIs)**, organized through SBA on more than 500 college campuses nationwide. The institutes provide counseling by students and faculty to small business clients.

For more information about SBA business development programs and services call the SBA Small Business Answer Desk at 1-800-U-ASK-SBA (827-5722).

Other U.S. Government Resources

Many publications on business management and other related topics are available from the Government Printing Office (GPO). GPO bookstores are located in 24 major cities and are listed in the Yellow Pages under the "bookstore" heading. You can request a *Subject Bibliography* by writing to Government Printing Office, Superintendent of Documents, Washington, DC 20402-9328.

Many federal agencies offer publications of interest to small businesses. There is a nominal fee for some, but most are free. Below is a selected list of government

agencies that provide publications and other services targeted to small businesses. To get their publications, contact the regional offices listed in the telephone directory or write to the addresses below:

Consumer Information Center (CIC)

P.O. Box 100
Pueblo, CO 81002

The CIC offers a consumer information catalog of federal publications.

Library of Congress Copyright Office
Register of Copyrights
Washington, DC 20559

Patent and Trademark Office (PTO)

Washington, DC 20231
Public Service Center: (703) 557-INFO

U.S. Department of Commerce (DOC)

Office of Business Liaison
14th Street and Constitution Avenue, NW
Room 5898C
Washington, DC 20230
DOC's Business Assistance Center provides listings of business opportunities available in the federal government. This service also will refer businesses to different programs and services in the DOC and other federal agencies.

Nongovernment Organizations

Software Publishers Association

1101 Connecticut Avenue, NW
Suite 901
Washington, DC 20036
United States Trademark Association
6 E. 45th Street
New York, NY 10017

For More Information

A librarian can help you locate the specific information you need in reference books. Most libraries have a variety of directories, indexes and encyclopedias that cover many business topics. They also have other resources, such as

Trade association information

Ask the librarian to show you a directory of trade associations. Associations provide a valuable

network of resources to their members through publications and services such as newsletters, conferences and seminars.

Books

Many guidebooks, textbooks and manuals on small business are published annually. To find the names of books not in your local library check *Books In Print*, a directory of books currently available from publishers.

Magazine and newspaper articles

Business and professional magazines provide information that is more current than that found in

books and textbooks. There are a number of indexes to help you find specific articles in periodicals.

In addition to books and magazines, many libraries offer free workshops, lend self-building tapes and have catalogues and brochures describing continuing education opportunities.

